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**PUBLIC SERVICE
COMMISSION**

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

**THE APPLICATION OF THE McKINNEY WATER)
DISTRICT FOR APPROVAL OF A PROPOSED) CASE NO. 2005-00114
INCREASE IN RATES FOR WATER SERVICE)**

STATEMENT AND NOTICE

McKinney Water District ("McKinney"), by counsel, pursuant to KRS 278.180 and KRS 278.190, hereby petitions the Commission for approval of a proposed increase in its water rates and charges. In support of its application, McKinney respectfully states as follows:

1. McKinney is a non-profit water district that has been engaged in the distribution and sale of water. It currently provides water service to approximately 1,763 customers in Lincoln County and Casey County, Kentucky. McKinney is organized under KRS Chapter 74; attached are its articles of incorporation and any amendments thereto. McKinney's principal office, place of business, and mailing address is 2900 Middleburg Road, P.O. Box 7, McKinney, Kentucky 40448.

2. The proposed increase in the rates and charges is necessary for McKinney to meet its operating expenses, to maintain financial viability, to cover its debt service, and to continue to provide adequate service.

3. As authorized by KRS 278.192(1), and for the purpose of justifying the reasonableness of the proposed general increase in rates, McKinney has utilized an

historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2003.

4. McKinney's annual reports are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1).

5. McKinney hereby gives notice to the Public Service Commission of the adjustment of its rates to those rates set forth in Exhibit No. 1 in the filing requirements. The proposed rates will result in increased annual revenues of \$145,789, which is an increase of 27.5 percent over normalized revenues from water sales of \$529,317.

6. The proposed tariffs (Exhibit No. 1) are shown in comparative form on the same sheets, side by side, and those comparative sheets are identified as Exhibit No. 2 in the filing requirements.

7. McKinney has complied with 807 KAR 5:011, Section 9, (2) and 807 KAR 5:001, Section 10, (3) and (4), by delivering to newspapers of general circulation in its service area a copy of the Notice identified as Exhibit No. 8 in the filing requirements, for publishing once a week for three consecutive weeks in a prominent manner, the first of said publications to be made no later than seven (7) days after March 8, 2005.

8. A copy of this filing has been mailed to the Utility Intervention and Rate Division of the Attorney General's office of the Commonwealth of Kentucky.

9. As required by 807 KAR 5:001, Section 10, (4), (f), McKinney will post a copy of its Customer Notices (Exhibit No. 8) at its place of business on March 8, 2005 and it will remain posted until the Public Service Commission has determined McKinney's rates.